



STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.bpu.state.nj.us

TELECOMMUNICATIONS

IN THE MATTER OF AMENDED PETITION OF LOCAL)
TELECOM SYSTEMS, INC. FOR A CERTIFICATE OF)
PUBLIC CONVENIENCE AND NECESSITY TO)
OFFER INTEREXCHANGE AND LOCAL)
EXCHANGE TELECOMMUNICATIONS SERVICES)
IN THE STATE OF NEW JERSEY)

ORDER

DOCKET NO. TE04010027

(SERVICE LIST ATTACHED)

BY THE BOARD:

Pursuant to N.J.S.A. 48:2-1 et seq. and Section 253 of the federal Telecommunications Act of 1996, 47 U.S.C. §151 et seq., and by letter dated February 2, 2004, Local Telecom Systems, Inc. ("Petitioner" or "LTSI") filed an amended Petition with the New Jersey Board of Public Utilities ("Board") requesting a certificate of public convenience and necessity to offer limited facilities-based, resold interexchange and resold competitive local exchange telecommunications services in the State of New Jersey.

LTSI is a publicly traded corporation organized under the laws of the State of Nevada. LTSI is publicly traded on the NASDAQ exchange under the symbol LTSY. Petitioner's principal offices are located at 3535 West 7th Street, Suite 1, Fort Worth, Texas 76107. On February 17, 1969, International Royalty & Finance Company was organized under the laws of the State of Nevada. On December 14, 1971, International Royalty & Finance Company changed its corporate legal name to International Royalty & Oil Company. On July 10, 1996, International Royalty & Oil Company changed its corporate legal name to Signature Motorcars, Inc. On March 27, 2002, Signature Motorcars, Inc. merged with LTSI, a Nevada based publicly traded corporation. LTSI does not have any affiliate companies.

Petitioner has submitted copies of its Amended Articles of Incorporation and Certificate of Incorporation with status in Good Standing from the State of Nevada and its New Jersey Certificate of Authority to Operate as a Foreign Corporation. According to the Petition, LTSI

was formed to provide limited facilities-based, resold interexchange and resold competitive local exchange telecommunications services throughout New Jersey. Petitioner states that currently it provides resold local exchange services in the State of Texas, New Mexico and Arizona. Petitioner states that currently it is engaged in negotiation on the terms of an interconnection and resale agreement with Verizon – New Jersey. It anticipates concluding negotiations and filing this agreement with the Board for approval within the next 30-45 days.

Petitioner seeks authority to provide limited facilities-based, resold interexchange and resold competitive local exchange telecommunications services primarily to residential customers throughout the State of New Jersey. Petitioner states that in expanding its services to the State of New Jersey, it intends to provide limited facilities-based and resold competitive local exchange telecommunications services throughout the entire state or to the extent the facilities of underlying carriers permit. Petitioner further states that facilities-based services will be limited to the provisioning of local exchange services to customers over Verizon – New Jersey's Unbundled Network Element Platform ("UNE-P"). Petitioner states that it has relied and will continue to rely on the technical expertise of its underlying providers of telecommunications services, both resold and limited facilities-based, primarily through Verizon – New Jersey's UNE-P. Petitioner states that it does not have plans to install its own facilities at this time and it maintains a toll-free number for its customer service inquiries.

Petitioner requests a waiver of N.J.S.A. 48:3-7.8 and N.J.A.C. 14:1-4.3, which require that books and records be kept within the State of New Jersey and be maintained in accordance with the Uniform System of Accounts ("USOA"), respectively. In the interest of efficiency and to prevent undue burden, Petitioner requests permission to maintain its books and records in accordance with Generally Accepted Accounting Principles and to keep all books, records, documents and other writings incident to the conduct of Petitioner's business in the State of New Jersey at Petitioner's corporate offices in Fort Worth, Texas. Petitioner also states, upon written notice from the Board and/or Board Staff, it will provide its books and records at such time and place within New Jersey as the Board may designate and will pay any reasonable expenses for examination of the records.

Petitioner asserts that approval of its Petition will further the public interest by expanding the availability of competitive telecommunications services in the State of New Jersey. Petitioner also asserts that approval of this Petition will provide New Jersey customers with access to new technologies and service choices and will permit customers to achieve increased efficiencies and cost savings.

With regard to its technical and managerial qualifications, LTSI states that it possesses the technical capability and managerial qualifications to operate and manage its telecommunications operations in the State of New Jersey. Petitioner has submitted the professional biographies of its key personnel who, according to LTSI, are well qualified to execute its business plans and have extensive managerial and technical experience in the telecommunications industry.

DISCUSSION

On February 8, 1996, the federal Telecommunications Act of 1996, P.L. 104-104, 110 Stat. 56, codified in scattered sections of 47 U.S.C. §151 et seq., was signed into law, removing barriers to competition by providing that:

[n]o State or local statute or regulation, or other State or local legal requirement, may prohibit or have the effect of prohibiting the ability of any entity to provide any interstate or intrastate telecommunications service.

[47 U.S.C. §253(a)].

Therefore, Board approval of Petitioner's entry into the telecommunications marketplace is required, assuming Petitioner meets all other requirements, including, but not limited to, a demonstration of financial, technical and managerial integrity.

In considering this Petition, the Board recognizes its obligation not to prohibit entry into intrastate telecommunications markets. 47 U.S.C. §253(a). The Board also considers the New Jersey State Legislature's declaration that it is the policy of the State to provide diversity in the supply of telecommunications services and the Legislature's findings that "competition will promote efficiency, reduce regulatory delay, and foster productivity and innovation" and "produce a wider selection of services at competitive market-based prices." N.J.S.A. 48:2-21.16(a)(4); N.J.S.A. 48:2-21.16(b)(1) and (3).

Therefore, having reviewed LTSI's Petition and the information supplied in support thereof, the Board FINDS that the Petitioner is in compliance with the Board's filing requirements to provide telecommunications services in New Jersey. Accordingly, the Board HEREBY AUTHORIZES the Petitioner to provide interexchange and local exchange telecommunications services throughout New Jersey subject to approval of its tariff. The Board also FINDS that in accordance with N.J.S.A. 48:2-59 and 48:2-60 and N.J.S.A. 52:27E-61 and 52:27E-62, the Petitioner is subject to an annual assessment by both the Board and Division of Ratepayer Advocate, respectively. The Board notes that the Petitioner will not be permitted to provide telecommunications services until a tariff is approved by the Board.

The Board HEREBY ORDERS that:

- 1) Petitioner file its tariff for Board approval.
- 2) Pursuant to N.J.S.A. 48:2-16.3, Petitioner shall file an annual report as of December 31 of each year, which is due on or before March 31 of the following year.
- 3) Pursuant to N.J.S.A. 48:2-59 and 48:2-60, Petitioner shall file a statement of gross intrastate revenues from operations form (AR3-1) as of December 31 of each year, which is due on or before June 1 of the following year.

On or before February 1st of each year, the Petitioner will receive from the Division of Audits an annual report package and a statement of gross intrastate revenues from operations form for the preceding calendar year. The purpose of these documents is to report the Petitioner's financial information and gross intrastate revenues from operations as of December 31 of each year. The annual report and a statement of gross intrastate revenues from operations form are due on or before March 31 and June 1 of the following year, respectively. If Petitioner does not receive these documents, it is Petitioner's responsibility to obtain them from the Board. It is also the Petitioner's responsibility to ensure timely filing of these reports.

Regarding the Petitioner's request for waivers of the Board rules, the Board FINDS that the Petitioner has demonstrated good cause why the Board should grant relief from its requirements

that the Petitioner maintain its books and records in accordance with USOA and within New Jersey. Therefore, subject to the Petitioner's continuing responsibility to provide the Board books and records upon 48 hours notice, and in the manner requested, and to pay to the Board any reasonable expenses or charges incurred by the Board for any investigation or examination of these books and records, the Board APPROVES the Petitioner's request for the exemptions from maintaining its books and records in accordance with USOA and in New Jersey.

DATED: 4/5/04

BOARD OF PUBLIC UTILITIES
BY:

(SIGNED)

JEANNE M. FOX
PRESIDENT

(SIGNED)

FREDERICK F. BUTLER
COMMISSIONER

(SIGNED)

CAROL J. MURPHY
COMMISSIONER

(SIGNED)

CONNIE O. HUGHES
COMMISSIONER

(SIGNED)

JACK ALTER
COMMISSIONER

ATTEST:

(SIGNED)

KRISTI IZZO
SECRETARY

IN THE MATTER OF AMENDED PETITION OF LOCAL TELECOM SYSTEMS, INC.
FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO OFFER
INTEREXCHANGE AND LOCAL EXCHANGE TELECOMMUNICATIONS
SERVICES WITHIN THE STATE
OF NEW JERSEY

DOCKET NO. TE04010027

SERVICE LIST

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